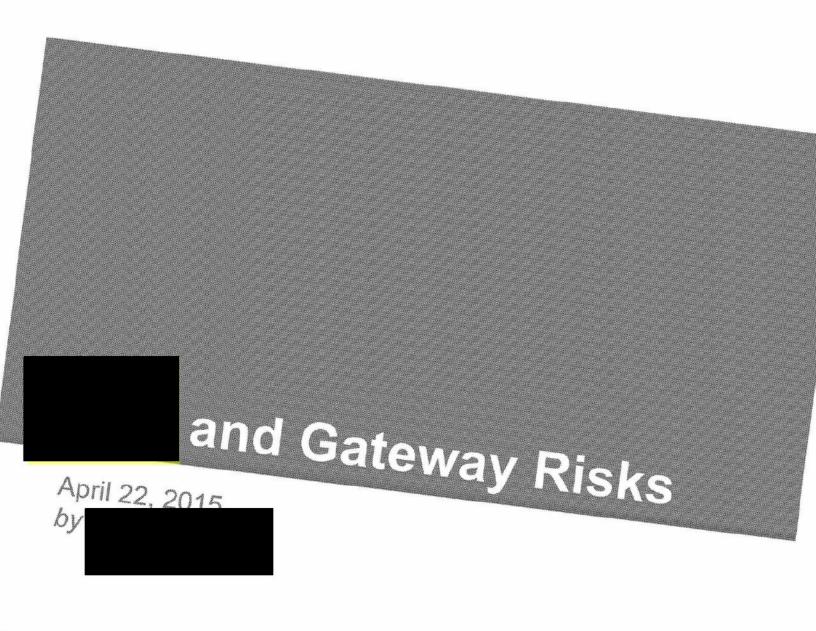
PX 674



ONFIDENTIAL

Confidential, Not for transmission.



Table of Contents

Section		Page	
1.	Introduction	3	
2.	Background/Mission	4	
3.	Work Done to Date	5	
4.	Gateways	6	
5.	Largest Gateway Snapshot	7	
6.	Challenges for Gateways	8	
7.	Voice of the Gateway Operator	9	
8.	The Ideal Gateway	10	
9.	Gateway Risks	11	
10.	Importance of Gateways	12	
11.	Minimum Disclosure Standards	13	
12.	<i>N</i> eaknesses	14	
13.	Ripple Labs' Gateway Support Options	15	
14.	Dedicated Gateway Team/Practice	16	
15.	De-risking the Gateway Ecosystem	18	
16.	Appendices	20	
	Confidential Aint for honomission		

RPLI_SEC 0490481

CONFIDENTIAL

1. Introduction - About Me

- Founder of
 - Rating service for crypto asset issuers
 - Seed funding from
- President of (elected November 2014)
- Ripple community member (since 2013)
- 10 years in management consulting and financial services
- Crypto-related consulting work with banks and other FI's

2. Mission/Background

mission is...

"to provide educational resources, set standards and best practices for the operation of various Ripple businesses, and organize the opinions of membership into actionable projects that serve to advance development of the Ripple protocol and its surrounding ecosystem."

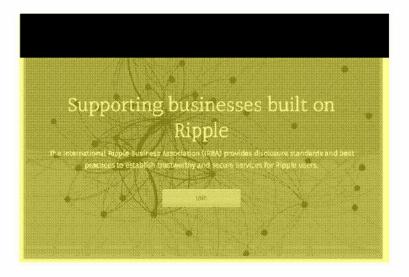
- Founded by operator) in 2013
- Researched and organized by
- Executive committee elected in November 2014
 - President -
 - Treasurer -
 - Secretary -



Confidential Not for henomission

3. Work Done to Date

- Professionalized, properly incorporated, 501c(3)
- Website launched www
- State of the Ripple gateway ecosystem report
- Processing new member applications ongoing
 - o GateHub
 - PaxMoneta
 - TokyoJPY
 - o Mr. Ripple
 - DigitalGate Korea
 - o Etc.



4. Gateways - What are They?

- Pseudo financial institutions
- Unlicensed
- Unregulated
- Frontiers of finance
- Founded by crypto-aficionados
- Very, very risky...



Gateways epitomize the 'lying awake at night' problem

5. Largest Gateways (> \$100k marketcap)

Rank	Gateway	IOUs Issued	Ma <u>rket Cap. (USD)</u>
1	SnapSwap	USD, EUR, BTC	
2	Bitstamp	USD, BTC	
3	TokyoJPY	JPY	
4	RippleCN	CNY	
5	RippleTradeJapan	JPY	
6	Ripple China	CNY	
7	Pax Moneta	KRW	

All data as of February 5, 2015

Market is dominated by a small number of gateways

6. Key Challenges for Gateways

- Limited capital
- Small teams of 1-2 people
- Low IOU market caps
 - Low transaction volume
- Low liquidity
 - Wide spreads with limited depth
- Technology and Security
 - o Bespoke implementations of gateway software
 - Rippled is "fragile software"
- Customer confidence
 - "gateway risk & credit risk. I cross my fingers" Ripple Market Maker
- Regulation and banking partners
 - UK and US pose high regulatory challenges
 - Stable banking relationships are a problem

Gateways need more scale to be successful businesses

7. Voice of the Gateway Operator

- A single message for Ripple Labs?
 - "sigh support the gateways"
 - "treat us more fairly Ripple Labs is too focused on banks"
 - "continue supporting the little guy"
 - "Ripple Labs almost doesn't care about the small ecosystem"
 - "KYC attestation between gateways"
 - "decentralized ID with single sign on"
 - "help with marketing"
 - "more support, more awareness, more user accounts"
 - "help with IOU liquidity"
 - "merchant service tools"
 - "keep at it"
 - "keep up the good work"

Several unmet needs. And some compliments for RL too

Confidential. Not for henomission.

8. The Ideal Gateway

- Well capitalized
- Multi asset (USD, EUR, CNY, BTC, etc.)
- Multi jurisdictional (via local partners?)
- Insured accounts (government or private?)
- Highly liquid (enough for b2b transfers)
- Audited (in realtime?)
- Transparent governance and disclosures
- Extremely secure, robust software
- Outstanding UX
- Gateway to XRP, and for FX transfers
- Operational best practices
- Strong banking relationships
- Regulated with appropriate licensing

A business-grade gateway has a high bar

RPLI_SEC 0490489

9. Gateway Risks

- Insolvency (intentional or unintentional)
 - Insufficient reserves
- Unsustainable business models
 - Negative operating cash flow
- Moral hazard
 - Borrow from customer deposits "just this month"
- Inexperienced operators
 - Discovering the 'magic' of fractional reserve
- Disregard for regulations
- Lack of technical expertise











A reputational disaster (or worse) for Ripple waiting to happen

-

10. The Importance of Gateways

- Ripple is a network business
 - Banks, market makers and gateways all add value
- Ripple Labs is focused almost entirely on banks
 - Banks will limit access to Ripple
 - Users won't even know they are using Ripple
 - o Banks want to minimize risk to their banking licenses
- Independent gateways offer an alternate path
 - Gateway assets are more likely to use XRP as the base asset
 - Users can buy XRP directly
 - Greater opportunity for market makers to provide liquidity

Most demand for XRP will come via independent gateways

11. Minimum Disclosure Standards

- 1. Corporate address and business registration number
- 2. Email and phone contact details
- 3. Names of officers
- 4. Site protected with SSL certificate
- 5. Banking partner details (kept private but verified)
- 6. Deposit, withdrawal and transfer fees
- 7. Segregated accounts for customer deposits
- 8. Frequent (daily, weekly?)balance updates for all assets in custody
- 9. Compliance with existing local regulations and laws
- 10. Customer service that is responsive within 24 hours (or better)
- 11. KYC requirements in gateway's jurisdiction

Transparency = Trust

RPLI_SEC 0490492

12. s Weaknesses

- Resources
 - President + Treasurer 1.5 days per week
- Team
 - Too many chiefs
- Structure
 - Not-for-profit with elected executive committee
- Standing
 - Gateways are very communicative when they need something
- Enforcement
 - o has no teeth
- Legal
 - o is more than a membership association
 - No current liability (E&O) or D&O coverage coverage

13. RL Gateway Support Options

- Providing a SaaS backbone for gateways?
 - o (or other software)
 - KYC via single sign on
 - Simple market making bot for early liquidity
 - Frontend and account management
 - Operational best practices, etc.
- Investing in gateways?
 - Provider of launch capital
 - Forgivable loans for development and/or liquidity
 - Liquidity capital before institutional market makers arrive
- Operating gateways?
 - Technical partner
 - Business partner

Gateways need more support than they currently get

RPLI_SEC 0490494

14. Dedicated Gateway Team

- Business development focus
 - #1 Support existing gateways
 - #2 Integrate with existing money transfer businesses
 - #3 Develop new gateway operators
- Software development
 - o (or equivelant)
 - Front end user account management
 - Market making tools for liquidity
 - KYC processes
 - contracts for automated bridges
- Baseline legal/compliance assistance
 - Banking partners
 - Local MSB compliance
 - Robust docs describing Ripple in legal terms
- Provide XRP for launch funding and initial liquidity

14. Dedicated Gateway Team contd.

- Operating best practices
 - Security
 - Transparency
 - Compliance
- Insured gateway accounts
- Cross gateway & asset liquidity via market makers
- Marketing assistance
 - b2b international transfers is where the money is
 - but...XRP traders/investors are the first adopters

Strong independent gateways are a vital part of the ecosystem

RPLI_SEC 0490496

15. De-Risking the Gateway Ecosystem

- Ripple Labs has a choice to make
- Proper standards are needed
 - Audited financial statements
 - Minimum capital requirements
 - Frequent bank balance updates
 - Operator background checks
 - o Personal contact with the operator
- Enforcement
 - 0
 - Ripple Labs
- Reporting to local regulators
- Gateway operator education

Focus on developing a 'Tier 1' gateway network

Questions?



"I'll be happy to give you innovative thinking. What are the guidelines?"

Contact:



onfidential. Not for transmission.

RPLI_SEC 0490498

16. Appendix Fees Charged by Top Gateways

	Fees			
Gateway	Deposit	Withdrawal	Transfer	
SnapSwap US				
SnapSwap EU				
btc2ripple (SS)				
Bitstamp				
RippleCN				
Ripple China				
Ripple Trade Japan				
Tokyo JPY				
Pax Moneta				

A variety of fee structures across gateways

CONFIDENTIAL

16. Appendix Voice of the Gateway Operator (a)

- Biggest lessons learned to date?
 - o is not ready for primetime"
 - o "follow all the rules"
 - "it isn't feasible to run rippled"
 - "it's so early"
 - "it took a long time to get a bank account"
 - "hard work with regulatory hurdles"
 - "not as much demand for gold IOUs as I thought"
- How are you staffed?
 - "2 people + part time help"
 - "3 founders"
 - "development team, business development, support"
 - "tech guy plus business guy"
 - "just a single founder"
 - "4 people with varying time commitments"
 - "no dedicated people on the Ripple gateway"

16. Appendix Voice of the Gateway Operator (b)

- What functions can be centralized by RL?
 - "KYC and identity is the biggest pain point"
 - "KYC should be centralized"
 - "trusted KYC between gateways"
 - "centralized, trusted KYC attestor"
 - "good docs explaining Ripple in legal terms would be useful"
 - "cold storage hot wallet functionality"
- How much capital is needed?
 - "capital requirements are low with the right people"
 - "under \$75,000"
 - "\$200k to be safe"
 - "anyone can set up a gateway at no cost"
 - "\$100k probably \$50k for liquidity, \$50k for operations"
 - "\$50k for salary, \$50k for liquidity"
 - "depends on the scale of the business can be low or high"

lan

16. Appendix Voice of the Gateway Operator (c)

Who are your customers?

- "bitcoiners playing with XRP"
- "XRP investors & speculators"
- "remittance users"
- "business transfers"
- "mainly trading and investment"
- o "expat remittances"
- "students wanting cheap transfers from mom and dad"
- o "all bitcoin users"

• Where does revenue come from?

- "deposit & withdrawal fees I don't like them"
- "transfer fee"
- "chomping at the bit to get a remittance business going"
- "interest spread"
- "other services on top of the gateway"
- "payments are the way forward"

Donfidential. Not for transmission.

16. Appendix Voice of the Gateway Operator (d)

- How can RL support growth?
 - "support other gateways to come on board"
 - "better support for liquidity"
 - "forgivable XRP loan for building additional services"
 - "market making bot would be useful"
 - "improve the Ripple UX too complicated"
 - "promote interest and awareness of Ripple in the region"
 - o "connect with bank endpoints"
- What are the biggest challenges you face?
 - "isolation is a challenge community is small"
 - "limited liquidity"
 - "regulatory uncertainty"
 - "almost certainly regulation"
 - o "on the technical side rippled"
 - "compliance & regulations, banking relationships"

16. Appendix Voice of the Gateway Operator (e)

- Banks competitive or symbiotic?
 - "gateways were a kind of cheat to get off the ground"
 - "gateways can focus on features that banks can't"
 - "banks are symbiotic different customers"
 - "banks are just parallel"
 - "potential banking competition"
 - "gateways will benefit from the network effect"
- Gateway onto other networks?
 - "Stellar, sure we are network agnostic"
 - "open to being a gateway on other networks"
 - o "no interest in other networks"
 - "we might consider Stellar their representative contacted us"
 - "other networks are quite experimental"
 - "we are a technology company"
 - "RL best team, broadest reach, biggest brand"

RPLI SEC 0490504